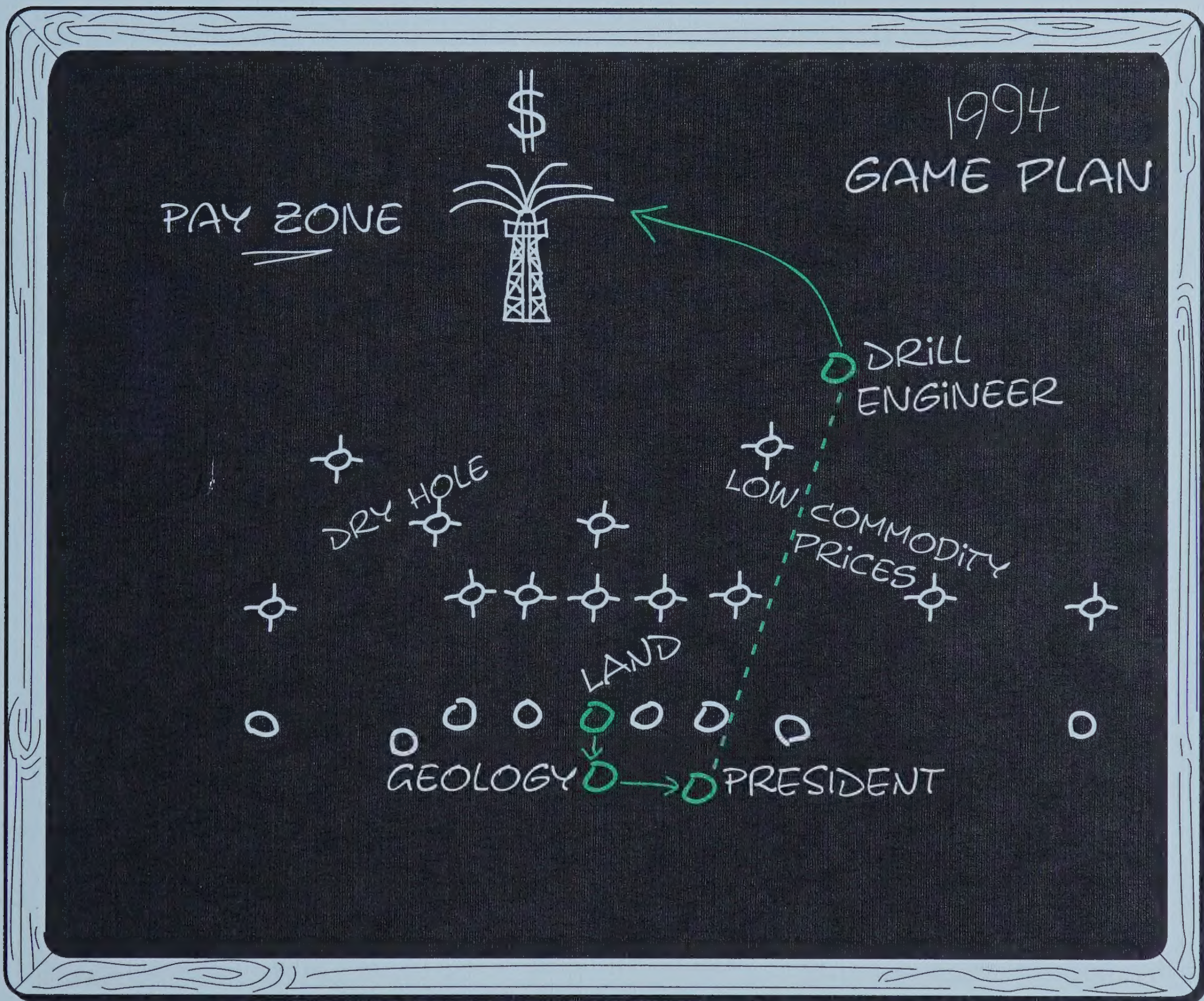


RIDER RESOURCES INC.
1994 ANNUAL REPORT

RIDER RESOURCES INC.

Rider is an emerging oil and gas company headquartered in Calgary, Alberta and publicly listed on The Alberta Stock Exchange ("RRI.A"). Incorporated in 1993, Rider's growth has been spurred by internally generated exploration, low risk development activity, and strategic acquisitions. The Company will continue this growth strategy in 1995, while seeking to balance oil and gas production acquisitions with drilling, and maintain financial flexibility. At year end December 31, 1994, Rider was debt free and was capitalized by 2,148,680 shares outstanding of which 70% were in the public float.

ABBREVIATIONS

ARTC	– Alberta Royalty Tax Credit
Bbls	– barrels
MBbls	– thousand barrels
MMBbls	– million barrels
BOPD	– barrels of oil per day
Mcf	– thousand cubic feet
Mmcf	– million cubic feet
Bcf	– billion cubic feet
BOE	– barrel of oil equivalent
/d	– per day
MBOE	– thousand barrels of oil equivalent
Ngl	– natural gas liquid

Natural gas is equated to oil on the basis of:
10 Mcf = 1 barrel of oil equivalent.

ANNUAL MEETING OF SHAREHOLDERS

Shareholders are encouraged to attend Rider's Annual General Meeting of Shareholders which will be held on Wednesday, May 17, 1995 at 3:00 pm at the Calgary Petroleum Club, 319 Fifth Avenue S.W., Calgary, Alberta. Those unable to attend are requested to complete and return the Proxy Form.

TABLE OF CONTENTS

HIGHLIGHTS

FINANCIAL

($ thousands, except per share)	
Petroleum and natural gas sales	384.2
Funds from operations	238.7
Per share	.11
Net earnings	123
Per share	.06
Capital expenditures	2,994
Long term debt	Nil
Weighted average common shares outstanding *(thousands)*	
Basic	2,148

OPERATING

Production	
Crude oil	
Thousands of Barrels	15.7
Barrels per day	43
Average selling price *($ Cdn per barrel)*	20.5
Natural gas	
Million cubic feet	35
Thousands cubic feet per day	96
Average selling price	
($ Cdn per thousand cubic feet)	1.79
Reserves *(proved and probable)*	
Crude oil and Ngl's	300,304
Natural gas *(thousands of cubic feet)*	1,703,715
Present value of reserves	
($ thousands, discounted at 15% before tax)	2,662
Wells Drilled	
Gross	25
Net	4

PRESIDENT'S REPORT

In Rider's first year of operations, we focussed on adding value and establishing a bankable production and reserves base to build our future on.

I'm pleased to report that we have achieved both of these goals. Rider succeeded in attaining a solid production base with a ten year life and proudly reports earnings in 1994.

1994 REVIEW

Crude Oil, Liquids and Gas production averaged 53 BOEPD and average prices were $19.86/BOE. Rider exited 1994 producing 230 BOEPD and is currently producing 275 BOEPD. Production was split approximately 75% Oil and Liquids and 25% Gas. We participated in drilling 25 wells gross (3.9 net) in 1994 resulting in 24 oil wells (3.55 net), one dry hole (.35 net), with 3 wells operated by Rider. Reserve additions amounted to 471,000 BOEs. Capital spending for the year was $2,994,000.

CORPORATE

Rider's "game plan" was to stay the course (low risk, low cost, shallow oil plays) regardless of what curves (commodity prices, services demand, dollar swings) were thrown at us.

At Rider, all staff are involved in helping to develop strategies and achieve agreed upon goals. I believe in direct communications with just enough paper work to provide appropriate documentation. I am very much hands on in my management style, I enjoy the technical aspects of the business and believe that there is significant value to be added by thoroughly understanding all aspects of the business. At Rider, we continue to stay focused on the bottom line and operate on measurable, obtainable results, quarter by quarter. Rider will continue to increase activity levels in those areas where we are confident in our expertise.

In addition, Rider has filed a Notice of Intention to make a

Normal Course Issuer Bid with the Alberta Stock Exchange. This will provide Rider with the option, but not the obligation, to purchase up to 107,000 of its common shares, or five percent of its issued and outstanding common shares. Management is of the opinion that market fluctuations can produce a market price for its shares which fails to reflect the fair value of its assets, together with its future business prospects. Should this situation occur, the buy back of Rider's common shares would, in management's opinion, be an appropriate use of funds.

OUTLOOK

In the ever dynamic oil patch, where the future has been increasingly difficult to predict, Rider finds itself on a solid footing. Rider is debt free and remains in control of its destiny. Rider is projecting cash flow of approximately $0.40 per share for 1995, this and an operating line with the bank will fund our 1995 capital expenditure program. With the basic financial and operational bases covered, Rider is looking to the future, dedicated to reserve growth and the resulting increase in shareholder value.

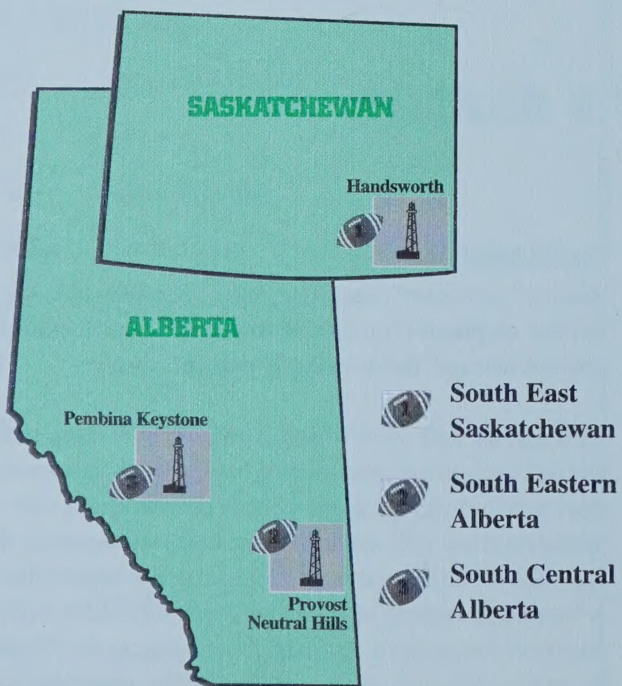
I wish to take this opportunity to thank the members of the Board of Directors and all staff members for their dedication, perseverance and understanding in helping to launch Rider into the public oil and gas arena.

B.E. Horner

B.E. (Elliott) Horner
President
March 27, 1995

EXPLORATION & DEVELOPMENT STRATEGIES

FOCUS AREAS

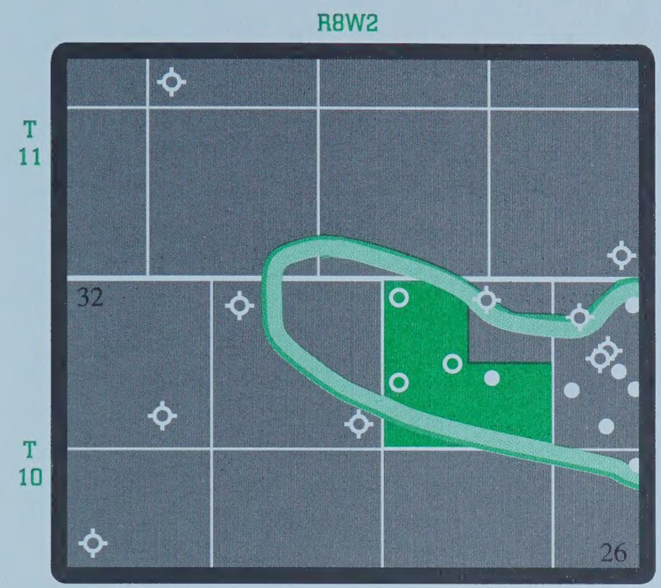


Under scoring Rider's Exploration strategies is our fundamental objective to add long term value to the company. This can only be achieved by paying careful attention to the bottom line and is most readily measured by cash flow and earnings.

Rider's exploration and development strategy has four main components:

- Focus our activities in well defined, highly economic core areas that offer shallow multi–zone light oil potential and year around access.
- Generate prospects internally using our own highly trained engineers, geologists and geophysicists.
- Operate whenever possible so we can more effectively control costs and the timing of operations.
- Integrate acquisitions with exploration and development so we can minimize risk and maximize the upside of our prospects.

CORE AREAS



NORTH HANDSWORTH, SASKATCHEWAN

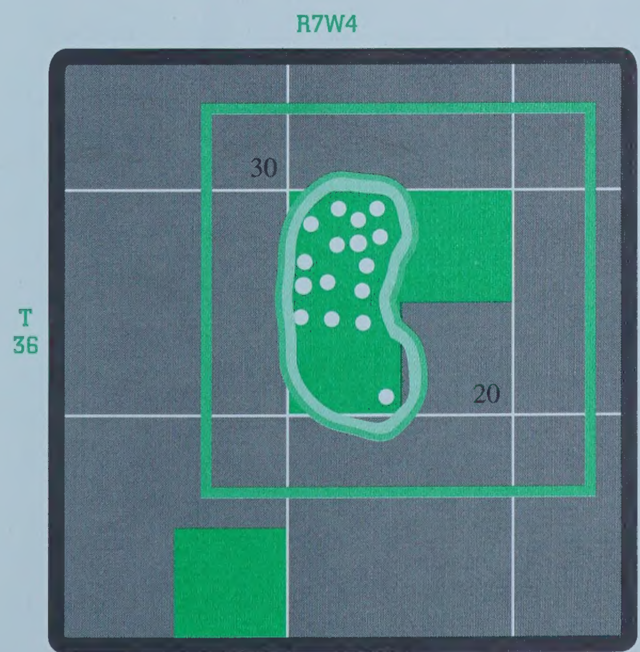
At North Handsworth, Rider drilled a successful Alida stepout well. Three low risk development wells are planned for 1995. Based on the results of this program, Rider may downspace the property and drill a horizontal test. Rider has a 100% operated interest in this property.

Rider 100% Land	
Producing Zone	Alida
Current Production	15 BOPD
Proposed Locations	O

HANDSWORTH, SASKATCHEWAN

At Handsworth, Rider participated in a stepout development well that had initial production in excess of 140 BOPD. Three development wells were drilled in 1994. At least one more development well is planned for early 1995. Pipelining and facilities optimization is currently under way. When completed, the Handsworth property should be capable of gross 220 BOPD (49 BOPD net).

Rider Joint Interest Land		Gross Rec. Reserves	300 MSTB
Working Interest	BPO 27%	Proposed Dev. Loc.	O
	APO 19.5%		
Producing Zone	Alida		
Current Gross Prod.	150 BOPD		



PROVOST NEUTRAL HILLS, ALBERTA

At Neutral Hills, Rider participated in a lower Mannville light oil discovery. A 3D seismic survey was shot over the prospect and 17 development wells were drilled. Construction of a battery and gathering infrastructure was undertaken in October of 1994. Gross oil production is expected to be 1000 BOPD (60 BOPD net) with proven recoverable reserves of 1.2 MMSTB (73 MSTB net).

Rider Joint Interest Land	
Working Interest	6%
Producing Zone	Dina
3D Seismic Program	
Current Gross Production	800 BOPD
Gross Recoverable Reserves	1.2 MMBBLS

PEMBINA KEYSTONE, ALBERTA

In 1994, Rider acquired various working interests, GORR's and Net Carried Interest in three units plus two non–unit wells in the Pembina Keystone region of Alberta. Working interests vary from 25% to 50% including a 17.5% working interest in the Keystone Cardium Unit #2. Currently this unit is producing on 160 acre spacing and remains on primary production. There are four prospective zones in the Pembina Keystone area including the Belly River, Cardium, Viking and Mannville. Rider has identified a horizontal re–entry candidate and a bypassed gas re–entry candidate on Rider high working interest lands. Both opportunities are budgeted for 1995.

Keystone Card Unit #2	
Producing Zone	Cardium
Current Production	1000 BOEPD
Gross Remaining Recoverable Reserves (Primary)	1.3 MMBOE
Rider 100% Land	
Proposed Location	○

AUDITORS' REPORT

To the Shareholders of Rider Resources Inc.

We have audited the balance sheets of Rider Resources Inc. as at December 31, 1994 and 1993 and the statement of earnings for the year ended December 31, 1994 and the statements of changes in financial position for the year ended December 31, 1994 and for the period from date of incorporation, March 23, 1993, to December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations for the year ended December 31, 1994 and the changes in its financial position for the year ended December 31, 1994 and the period from date of incorporation, March 23, 1993, to December 31, 1993 in accordance with generally accepted accounting principles.

Deloitte & Touche

Calgary, Alberta
February 27, 1995

Chartered Accountants

MANAGEMENT'S REPORT

The accompanying financial statements of Rider Resources Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial purposes. In preparation of financial statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Based on careful judgements, such estimates have been properly reflected in the accompanying financial statements.

The external auditors conduct an independent examination of the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. This committee meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

B.E. Horner
President

K.M. Horner
Corporate Secretary

BALANCE SHEET

As At December 31, 1994 and 1993

	1994	1993
	$	$
ASSETS		
Current		
Cash and short term deposits	1,215,037	2,259,609
Subscriptions receivable (Note 4)	–	1,447,500
Accounts receivable	69,810	–
Prepaid expenses	140,988	–
	1,425,835	3,707,109
Petroleum and natural gas properties (Note 3)	1,890,807	129,480
	3,316,642	3,836,589
LIABILITIES		
Current		
Accounts payable	522,436	43,225
Provision for site restoration (Note 3)	20,871	–
	543,307	43,225
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	2,650,648	3,793,364
Retained earnings	122,687	–
	2,773,335	3,793,364
	3,316,642	3,836,589

Signed on behalf of the Board,

B.E. Ho

Director

Director

STATEMENT OF EARNINGS

For the Year Ended December 31, 1994

	$
Revenue	
Oil and gas sales	384,183
Less royalties	(60,167)
	324,016
Interest and other income	162,212
	486,228
Expenses	
Operating	139,641
General and administrative (Note 3)	107,920
Depletion, depreciation and amortization	115,980
	363,541
NET EARNINGS (Note 5)	122,687
Retained earnings, beginning of year	–
Retained earnings, end of year	122,687
Earnings per share	.06

STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1994

	1994	1993
	$	$ (Note 2)
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	122,687	–
Items not affecting cash		
Depletion, depreciation and amortization	115,980	–
Cash flow from operations	238,667	–
Changes in non-cash working capital	1,715,913	43,225
	1,954,580	43,225
Financing		
Issue of shares, net of subscriptions receivable of $1,447,500	–	2,345,864
Cancellation of shares	(5,000)	–
	(5,000)	2,345,864
Investing		
Additions to petroleum and natural gas properties	(2,994,152)	(129,480)
NET CASH (OUTFLOW) INFLOW	**(1,044,572)**	**2,259,609**
Cash and short term deposits, beginning of period	2,259,609	–
Cash and short term deposits, end of period	1,215,037	2,259,609
Cash flow from operations per share	.11	–

NOTES TO THE FINANCIAL STATEMENTS

1. INCORPORATION

The Company was incorporated under the Alberta Business Corporations Act on March 23, 1993 as Rider Resources Inc. The Company is engaged in the exploration and development of oil and gas properties.

2. ACCOUNTING POLICIES

Financial Presentation

The financial statements for 1993 reflect the activities of the Company for the period from incorporation on March 23, 1993 to December 31, 1993. At December 31, 1993, the Company had not commenced active business operations and accordingly no comparative statement of earnings or loss has been presented for that period.

Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting, whereby all costs directly related to the exploration and development of oil and gas reserves are capitalized, and proceeds of disposals are normally deducted from costs with out recognition of gains or losses. In the case of major dispositions of reserves, however, a gain or loss is recognized by deducting from the proceeds, the undepleted full cost applicable to the reserves sold. The Company employs a ceiling test annually, whereby capitalized costs are written off when they exceed estimated future net revenues from production of proven reserves calculated at year-end prices and after deducting related administrative, site restoration, financing and income tax costs.

Depletion and Depreciation

Petroleum and natural gas properties and related equipment, excluding undeveloped properties, are depleted and depreciated using the unit-of-production method based on estimated proven reserves before deduction of royalties and after conversion to units of common measure based on relative energy content.

Site Restoration and Abandonment Costs

The Company provides for site restoration and abandonment costs on a unit of production basis at a rate determined by dividing the total estimated remaining future liability by the remaining proved reserves.

Furniture and Fixtures

Furniture and fixtures are recorded at cost with depreciation provided by the diminishing method at a rate of 20% per annum. Leasehold improvements are amortized on the straight line basis over the terms of the lease.

Joint Ventures

Substantially all of the exploration and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

Flow Through Shares

The Company has financed substantially all of its exploration and development activities through the issue of flow through shares. Under the terms of the flow through share agreements, the tax benefits of the related expenditures are renounced to the shareholders. To recognize the renunciation of the foregone tax benefits to the Company, the carrying value of the properties and equipment and share capital are reduced by the estimated amount of the tax benefits renounced to shareholders at the time the related expenditures are incurred.

3. PETROLEUM AND NATURAL GAS PROPERTIES

	Cost	Accumulated Depletion & Depreciation	Net	1993 Net
	$	$	$	$
Petroleum and natural gas properties	1,948,794	88,945	1,859,849	119,167
Furniture and fixtures	37,122	6,164	30,958	10,313
	1,985,916	95,109	1,890,807	129,480

(a) Administrative expenses capitalized in 1994 amounted to $240,650 (1993 - $NIL).

(b) Unproved properties totalling $80,000 (1993 - $NIL) have been excluded from the calculation of depletion.

(c) The provision for future estimated site restoration costs in 1994 amounted to $20,871 (1993 - $NIL) and has been included as part of the provision for depletion, depreciation and amortization.

(d) Petroleum and natural gas properties at December 31, 1994 includes net deferred costs of $119,167, which were capitalized in 1993 representing net operating expenses incurred prior to commencement of operations. These deferred costs were as follows:

	$
Salaries and benefits	89,650
General office expense	39,654
Travel	11,473
Incorporation costs	1,028
Depreciation	550
Less interest income	(23,188)
	119,167

(e) Included in petroleum and natural gas properties are costs related to significant acquisitions of oil and gas properties which are exempt from the ceiling test for a twenty four month period as provided by the CICA Full Cost Accounting Guideline. Had the ceiling test been applied at December 31, 1994, using year end oil and gas prices, an additional provision of approximately $200,000 would have been required in the accounts. Management of the Company is of the view that no provision for impairment of properties is required at December 31, 1994.

4. SHARE CAPITAL

(a) **Authorized**

Unlimited number of Class A voting shares

Unlimited number of Class B non-voting shares

(b) **Issued**

	1994		1993	
	Number of Shares	**Amount $**	**Number of Shares**	**Amount $**
Class A Shares				
Beginning of period	2,148,680	402,114	–	–
Issued for cash	–	–	695,000	139,000
Issued for cash (i)	–	–	1,453,680	290,736
Share issue costs	–	–	–	(27,622)
End of period	2,148,680	402,114	2,148,680	402,114

	1994		1993	
	Number of Shares	**Amount $**	**Number of Shares**	**Amount $**
Class B Shares				
Beginning of period	3,747,264	3,391,250	–	–
Issued for cash (i)	–	–	3,747,264	3,747,264
Cancellation of shares	(5,000)	(5,000)	–	–
Tax benefits renounced relating to flow through shares	–	(1,137,716)	–	–
Share issue costs	–	–	–	(356,014)
End of period	3,742,264	2,248,534	3,747,264	3,391,250
Total share capital		2,650,648		3,793,364

(i) Under a prospectus dated August 11, 1993, the Company issued to the public a total of 4,038 units, each unit consisting of 360 Class A shares, 928 "flow through" Class B shares and 100 warrants, each warrant entitling the holder to acquire one Class A share for $1.25 until June 30, 1995. Proceeds of the offering totalled $3,654,364 after deducting commissions and share issue costs. Under the terms of the offering, investors could elect to subscribe for the units on an installment basis. In this regard, subscriptions receivable, which totalled $1,447,500 at December 31, 1993 (except for $5,000 for which shares were subsequently cancelled), were received on January 3, 1994. At December 31, 1994 there were 403,800 warrants outstanding under this offering, and there was approximately $1,179,000 of unexpended flow through funds.

(ii) Class A shares and Class B shares are equally entitled to dividends declared and the remaining property upon the wind-up of the Company. The Class B shares may be converted to Class A shares at the option of the Company any time after August 31, 1997 and before June 30, 1999. Class B shares are redeemable at the option of the Company after January 2, 1999 and prior to June 30, 1999 at a price equivalent to the fair market value of the Class B shares provided the current market price of Class A shares exceeds $1.00. Any Class B shares not converted or redeemed as at June 30, 1999 will be deemed to be converted into Class A shares at the greater of $1.00 or the then current market price of the Class A shares.

(c) **Share Options**

As at December 31, 1994, the Company had reserved 190,000 Class A Shares under stock options granted to senior officers, certain directors and employees of the Company. The options are exercisable at various times at prices between $0.75 and $1.05 per share and expire from 1995 to 1999. Of the total options, 85,000 have been vested at December 31, 1994.

5. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the combined Canadian federal and provincial income tax rates of 44.3% to earnings before income taxes as shown below:

Computed expected income taxes	$ 54,399
Increase (decrease) in income taxes resulting from:	
Non-deductible crown payments	10,255
Resource allowance	(14,492)
Non-deductible depletion	28,790
Share issue costs	(34,020)
Other	1,093
Loss carry forward	(46,025)
Actual income tax provision	$ –

At December 31, 1994, there was approximately $1,450,000 of oil and gas properties without a tax base. This amount arose as a result of the issuance of the Class B flow through shares (Note 4).

6. COMMITMENTS

The Company is committed to a lease related to office premises which expires in 1997. The annual rentals for each of the years until expiry is as follows:

1995	$ 26,650
1996	26,650
1997	4,442

7. RELATED PARTY TRANSACTIONS

During 1994, one officer of the Company participated on a joint venture basis with the Company. The terms of the joint venture are the same as the terms with non-related parties.

8. EARNINGS PER CLASS A SHARE

The basic earnings of $.06 per Class A share is calculated using 2,148,680 Class A shares, the weighted average number of shares outstanding during the year. The fully diluted earnings of $.02 per share is calculated using 5,890,944 shares, the fully diluted weighted average number of shares. Fully diluted earnings per share have been calculated assuming the conversion of Class B shares to Class A shares on a one-for-one basis.

CORPORATE INFORMATION

BOARD OF DIRECTORS

B.E. Horner

B.J. Seaman

D.E. Birnie

K.M. Horner

OFFICERS

B.E. Horner, President

A.R. Tolg, Vice-President, Exploration

K.M. Horner, Corporate Secretary

EXCHANGE LISTING

The Alberta Stock Exchange

Symbol: RRI.A & RRI.WT.A

TRANSFER AGENT

The R-M Trust Company

Calgary, Alberta

SOLICITORS

Bennet Jones Verchere

Barristers & Solicitors

Calgary, Alberta

AUDITORS

Deloitte & Touche

Chartered Accountants

Calgary, Alberta

EVALUATION ENGINEERS

McDaniel & Associates Consultants Ltd.

Calgary, Alberta

BANKERS

The Royal Bank

Main Branch

Calgary, Alberta

Produced by Canada Corporate Communications Inc.

RIDER RESOURCES INC.

Oil & Gas Exploration and Development

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